

AMENDED IN SENATE AUGUST 18, 2003

AMENDED IN SENATE JULY 16, 2003

AMENDED IN ASSEMBLY MAY 13, 2003

AMENDED IN ASSEMBLY APRIL 24, 2003

AMENDED IN ASSEMBLY APRIL 10, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1685**

**Introduced by Assembly Member Leno**  
**(Coauthors: Assembly Members Hancock, Jackson, and Koretz)**

February 21, 2003

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~~An act to repeal and add Section 379.5 of the~~ *An act to amend Section 353.2 of, and to add Section 379.6 to, the* Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1685, as amended, Leno. Energy: self-generation incentive program: peak reduction.

Existing law requires the Public Utilities Commission on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods, including, but not limited to, differential incentives for renewable or superclean

distributed generation resources. Pursuant to this requirement, the commission has developed a Self Generation Incentive Program to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability. ~~Existing law also requires the commission, in consultation with those entities, to adopt and implement a residential, commercial, and industrial peak reduction program that encourages electric customers to reduce electricity consumption during peak power periods. Existing law defines “ultra-clean and low-emission distributed generation” as an electric generation technology that produces zero emissions during operation or that produces emissions that are equal to or less than limits established by the State Air Resources Board, if the electric generation technology commences operation between January 1, 2003, and December 31, 2005.~~

This bill would ~~repeal those provisions and would, instead,~~ require the commission, in consultation with the Energy Commission, to administer, *until January 1, 2008*, a self-generation incentive program for ~~solar electricity generation until January 1, 2008 distributed generation resources in the same form that exists on January 1, 2004, but would require that combustion-operated distributed generation resources, commencing January 1, 2005, meet a NO<sub>x</sub> emission standard, and commencing January 1, 2007, be an ultra-clean and low-emission distributed generation to be eligible for incentive rebates under the program.~~

*The bill would revise the definition of an ultra-clean and low-emission distributed generation to include electric generation technologies that commence operation prior to December 31, 2008.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares each of the
- 2 following:
- 3 (a) Increasing California’s reliance on renewable energy
- 4 resources, particularly solar, “*ultra-clean*,” and “*low-emission*”
- 5 electricity generation, promotes stable electricity prices, protects
- 6 public health, improves environmental quality, stimulates
- 7 sustainable economic development, creates new employment
- 8 opportunities, and reduces reliance on imported fuels.

(b) The development of renewable energy resources, particularly nonpolluting solar electricity generation, ameliorates air quality problems throughout the state and improves public health by reducing the burning of fossil fuels and the associated environmental impacts.

(c) The Self Generation Incentive Program administered by the Public Utilities Commission and established pursuant to Section 379.5 (Decision 01-03- 073, March 27, 2001), has been a critically important subsidy for the growth of solar electricity generation in California, but is set to expire at the end of 2004.

(d) The Legislature intends that the commission continue the Self Generation Incentive Program in order to subsidize solar electricity generation.

~~SEC. 2. Section 379.5 of the Public Utilities Code is repealed.~~

*SEC. 2. Section 353.2 of the Public Utilities Code is amended to read:*

353.2. (a) As used in this article, “ultra-clean and low-emission distributed generation” means any electric generation technology that meets ~~all~~ *both* of the following criteria:

(1) Commences initial operation between January 1, 2003, and December 31, ~~2005~~ *2008*.

(2) Produces zero emissions during its operation or produces emissions during its operation that are equal to or less than the 2007 State Air Resources Board emission limits for distributed generation, except that technologies operating by combustion must operate in a combined heat and power application with a 60-percent system efficiency on a higher heating value.

(b) In establishing rates and fees, the commission may consider energy efficiency and emissions performance to encourage early compliance with air quality standards established by the State Air Resources Board for ultra-clean and low-emission distributed generation.

~~SEC. 3. Section 379.5~~ 379.6 is added to the Public Utilities Code, to read:

~~379.5.—~~

379.6. (a) The commission, in consultation with the State Energy Resources Conservation and Development Commission, shall until January 1, 2008, administer a self-generation incentive ~~program for solar electricity generation.~~ *program for distributed*

1 generation resources, in the same form as exists on January 1,  
2 2004.

3 (b) Notwithstanding subdivision (a), the self-generation  
4 incentive program shall do all of the following:

5 (1) Commencing January 1, 2005, require all  
6 combustion-operated distributed generation projects to meet an  
7 oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.14 pounds  
8 per megawatthour to be eligible for self-generation rebates.

9 (2) Commencing January 1, 2007, require all  
10 combustion-operated distributed generation projects to be  
11 ultra-clean and low-emission distributed generation, as defined in  
12 Section 353.2, to be eligible for self-generation rebates.

13 (3) Provide the commission with flexibility in administering the  
14 self-generation incentive program, including, but not limited to,  
15 flexibility with regard to the amount of rebates, inclusion of other  
16 ultra-clean and low-emission distributed generation technologies,  
17 and evaluation of other public policy interests, including, but not  
18 limited to, ratepayers, and energy efficiency and environmental  
19 interests.

